Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Line-Up	)	WC Docket No. 03-109
	)	
Universal Service Reform – Mobility Fund	)	WT Docket No. 10-208

APPENDIX B

AFFIDAVIT OF RON K. SIEGEL

IN SUPPORT OF

EMERGENCY PETITION OF ALLBAND COMMUNICATIONS COOPERATIVE FOR INTERIM PARTIAL WAIVER OF THE PART 54.302 RULE AND FOR INCREASED PER-LINE SUPPORT

I, Ronald K. Siegel Jr., being of lawful age and duly sworn, state as follows:

1. My name is Ronald K. Siegel Jr. My business address is 7251 Cemetery Rd., Curran, MI 48728. My title is General Manager of Allband Communications Cooperative ("Allband", “Cooperative” or “ACC”) and its non-regulated affiliate, Allband Multimedia (AMM). I have worked for ACC in a management capacity since 2004 and for AMM since 2009. I am responsible for overseeing the daily operations of ACC and AMM, including regulatory affairs,

network design/administration, project development, community outreach, operations and the general viability of the ACC. I have conducted extensive research and project management in ACC's rural area since 2002 and have actively pursued strategies to address the communication digital divide that exists between rural and urban areas.

2. ACC was incorporated on November 5, 2003 as a non-profit, 501c12 member-owned Cooperative and is a licensed Incumbent Local Exchange Carrier (ILEC), pursuant to the laws of the State of Michigan and the 2005 Order of the Federal Communications Commission ("FCC" or "Commission").[1] ACC began the construction of its network in its previously unserved, green-field service territory in 2005 and activated its first customer in November 2006.

3. The development and approval process of ACC's loan with the USDA Rural Utility Service (RUS) required a dedicated amount of effort from many people and organizations, including current ACC President, John Reigle, who, without a telephone and prior to the creation of ACC, personally drove twenty miles a day from his home in Curran, MI to use a pay phone to coordinate with various consultants and the rest of ACC's volunteer Board of Directors. Support from local, state and the federal government, including a grant from Michigan State University and efforts of scores of students from Michigan State University's School of Telecommunications, assisted ACC to secure the incubation funds needed to form ACC. A $212,000 Link Michigan grant from the Michigan Economic Development Corporation also aided in the incubation of Allband, which funded the legal, accounting, and engineering analysis required to submit a loan application to the Rural Utility Service (RUS), of the United States Department of Agriculture (USDA). The loan application

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[1] See, In the Matter of Allband Communications Cooperative Petition for Waiver of Sections 69.2(hh) and 69.601 of the Commission's Rules in WC Docket. 05-174, released August 11, 2005 (Allband Order).

was no easy endeavor and included several prerequisites, including: waivers from the FCC and the MPSC, area coverage surveying and network design, meetings with various equipment vendors, coordination with local, state and Federal government representatives so that ACC understood the regulatory requirements of an Incumbent Local Exchange (ILEC), financial forecasting, interconnection agreements, bylaw and cooperative development and so on. The RUS ultimately approved the loan application and granted Allband financing totaling approximately $8 million to construct its network. ACC's RUS loan was used entirely to design and construct the regulated facilities that are now used for ILEC services in its Robbs Creek Exchange.

Allband, due to its unique mission, small size and limited operational capabilities, must balance operations, growth and maintenance with a small number of employees. Despite its small size, ACC must still comply with the stringent and often burdensome regulatory requirements that are associated with ILECs and other regulated entities. Therefore, Allband has partnered with consultants since its inception to assist ACC management with the following:

- Engineering: RUS loan and grant design, Network design, grant and loan acquisition, mapping, Continuing Property Records (CPR), feasibility studies, construction oversight and administration, maintenance of the network, etc.
- Accounting: quarterly reporting, financial statements, annual audits, RUS annual audits, taxes and payroll, miscellaneous regulatory inquiries, RUS quarterly and annual reporting, budget and cash flow analysis, etc.
- Legal: waivers, appeals, litigation, tax disputes, zoning issues, cooperative operations and governance, billing disputes, human resources, network related legality issues, etc.

- Cost Consulting: communications and reporting to the National Exchange Carriers Association (NECA) and the Universal Service Administrative Company (USAC), annual cost studies (used to calculate USF funding), the many FCC and MPSC quarterly and annual reporting that are required of regulated telecommunication companies, industry reporting including number assignments, 911, red flag rules, customer information (CPNI) compliance, USF E-rate, ex partes with the FCC and other government regulators, etc.

ACC has been an open book in regards to its mission, financials and efforts to improve telecommunications in rural areas. It has never filed anything confidentially under seal and welcomes public access to its mission, progress and challenges. Allband, since 2006 has in good-faith, remained compliant in its quarterly and annual regulatory reporting and no entity or government regulator has questioned its financials or operations until the FCC issued its recent orders.

The concept of ACC, why it was established and the road its volunteers and dedicated management team embarked on is a true test of faith, commitment to community and a testament to the good intentions of the Federal Government. The following timeline of the Cooperative's development demonstrates the unique nature of the Cooperative and the extensive efforts of its founders:

a. After being denied basic telephone service by GTE at his Curran, MI residence and then left without an alternate solution, now Allband President John Reigle, began coordinating the formation of Allband with Michigan State University in early 2000.

b. On November 5, 2003, after extensive planning and organizational efforts, Allband filed its Articles of Incorporation with the State of Michigan.

c. On July 29, 2004, Allband filed a complete loan application with the USDA Rural Development, the only source of financing available to build its new network.

d. On August 31, 2004, the Michigan Public Service Commission (MPSC) in Case No. U-14200 granted Allband a temporary license to provide service in its Robbs Creek Exchange, an unserved/unassigned geographical location. A permanent license was granted by the MPSC in Case No. U-14200 on December 2, 2004.

e. Allband obtained RUS funding on October 7, 2004 and began constructing an all fiber, passive optical, state of the art telecommunications network that would allow Allband not only to provide standard telecommunications services, but also ubiquitous access to broadband and other advanced services.

f. On August 11, 2005, the FCC granted Allband's waiver of certain FCC rules and allowed Allband to be treated as an ILEC for NECA pooling and Universal Service purposes.

g. On August 18, 2005, the USDA Rural Development Program officially announced a loan for $8 million to fund the construction of Allband's fiber to the home network.

h. On October 19, 2005, Allband started construction in its Robbs Creek Exchange.

i. On November 10, 2005, the MPSC in Case No. U-14659 granted Eligible Telecommunications Carrier (ETC) status to Allband.

j. On November 30, 2006, Allband activated its first cooperative member.

k. In December 2006, after obtaining the necessary waivers from the FCC, Allband was allowed to join the National Exchange Carrier Association ("NECA") pools as an ILEC. This action allowed Allband to (a) Minimize administrative expenses and (b) Maintain reasonable and stable access rates. Because the Universal Service Administration Company ("USAC") and NECA recognized Allband as an ILEC per its FCC waivers, NECA began providing Interstate Common Line Support and Local Switching Support (two of the FCC's USF mechanisms) to the Cooperative.

l. In January 2008, Allband began receiving High Cost Loop Support (another of the FCC's USF mechanisms) from USAC/NECA. This support or recovery mechanism is being used and will be used by Allband to recover a substantive portion of the ongoing high cost of providing ubiquitous network facilities and thus, enable Allband to maintain reasonable local exchange consumer rate levels (Currently $19.90 per month plus taxes and regulatory fees).

m. On August 4th, 2010 Allband Communications Cooperative (Allband) received two grants from the American Recovery and Reinvestment Act (ARRA) for approximately $9.7 million to provide broadband access in unserved areas of Northern Michigan in what would become the territory of Allband Multimedia LLC.

4. Allband Multimedia LLC (AMM) is a Michigan limited liability company and a wholly owned subsidiary of ACC. ACC's Board of Directors directly manages ACC and its subsidiary, AMM. The purpose of AMM is to undertake the retail sales of non-regulated communications and related services, including Internet, wireless, Voice over IP and other products and services. Additionally, AMM is the provider of all services outside of its

regulated study area, made possible by an American Recovery and Reinvestment Act (ARRA) grant. AMM's expansion commenced in 2010, with its first customer being activated in 2012. AMM provides its products and services over an isolated fiber network separate from ACC, but follows Part 32, Part 64 and FCC affiliate transaction rules to share operational and network resources with ACC.

Per the USF/ICC Transformation Notice of Proposed Rule Making (NPRM)[2], the Commission has made a point to document concern regarding holding company abuses where it may control one or more separate companies, study areas, regulated and unregulated companies. It should be reinforced that AMM is a subsidiary of ACC and its model is NOT a holding company model or subject to the same line blurring that exists in large corporations such as price cap carriers (AT&T, Verizon, etc.). AMM was created for one purpose, to provide broadband and telephone to the areas around ACC's regulated exchange whose residents and businesses had previously been begging ACC to expand its services, but could not due to regulatory ILEC restrictions. When the ARRA grants were announced, ACC saw a once in a life time opportunity to fill a void that existed due to the failures of traditional competition. AMM was not created to turn a profit; like ACC, it was created to fill a societal gap that was not being addressed by free markets and for-profit providers. The RUS saw the same need and gave ACC a 100% federally funded grant, as opposed to the more common loan/grant combination. ACC was excited to help its surrounding community, which was in desperate

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[2] Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking, 26 FCC Rcd 4554, 4560-61 (2011) (USF/ICC Transformation NPRM)

need of an advanced telecommunication infrastructure that would support current and future generations. It was obvious, given the unique 100% grant-funded opportunity, that RUS felt secure enough to fund the project and embrace ACC's previous success in addressing telephone and broadband deployments in rural, unserved areas. Most importantly, RUS again saw an opportunity to serve the public interest through ACC's efforts in its rural community.

5. I submit this affidavit in support of the accompanying Emergency Petition of ACC for Interim Partial Waiver of the Part 54.302 Rule and for Increased Per-line Support. I hereby verify that as the General Manager of ACC and AMM, I have reviewed all the attachments in support of the accompanying petition and verify to the best of my knowledge and belief that the financial information provided by Tim Morrissey of FWA, ACC and AMM Controller, Tammy Veasy, and Christine Duncan of JSI, and by me as attachments to this affidavit, accurately present the financial status of ACC and AMM and ACC's need for interim support above the Part 54.302 $250 HCL Cap. The current revenue reductions caused by the Commission's July 2016 Order and implementation (without waiver) of the Part 54.302 Cap will, by the end of January 2017 or soon thereafter, provide insufficient revenues for ACC to:

- Continue to provide voice and 911 ILEC services to any of its customers.
- Pay the principal and interest on ACC's existing loan issued by the USDA Rural Utility Service (RUS) which was based on the financial security provided by the previously FCC authorized and now contemplated USF Funding.
- Continue operations as an ILEC telecommunications carrier in its otherwise underserved exchange.

Pursuant to Section 1.3 of the Commission's rules, and this Commission's previous waiver orders, Allband respectfully petitions the Commission to promptly review and approve this emergency request for interim support to ACC to prevent irreparable harm to ACC until it can complete its current compliance review with USAC and submit a revised waiver petition pursuant to this Commission's July 20, 2016 Order.

6. Per the July 2016 Order, the FCC states, "Once Allband has revised its cost accounting practices to be consistent with our rules, Allband may submit a new request for waiver of the $250 cap if its revised cost study incorporating correctly determined costs would result in support of $250 per line".[3] ACC's request for an Emergency Interim increase in per-line support above the Part 54.302 High Cost Loop (HCL) Cap is justified because the findings in the September 23, 2015 USAC Memorandum as referenced in the July 20, 2016 FCC order, relate only to the allocation of time reporting and classification of certain operating expense as between regulated and non-regulated operations. Therefore, ACC should still qualify for USF per-line support above the cap for ACC expenses and capital investment that were <u>not</u> subject to analysis in the review or associated with non-reg/reg allocation, as changes to its accounting practices as they relate to the interim support now requested were not required. For the years 2012 through 2014, the memorandum does not contain any findings whatsoever concerning the amount of ACC's regulated network investments and related costs including return on investment, depreciation expense, and operating taxes. Additionally, the USAC September 2015 Report does not contain findings nor express concerns with expenses associated with preparation of ACC's cost study that is necessary for determination of its high cost support amounts.

7. I have reviewed and concur with the amount of support above the Cap documented by Tim Morrissey of FWA in his January 11, 2017 affidavit accompanying this emergency petition. In FWA's affidavit and attachments, Interstate Common Line Support (ICLS) and High

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[3] Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 20, 2016 Order, paragraph 33.

Cost Loop Support (HCLS) were calculated by only including costs for return on investment, depreciation expense, operating taxes and cost study expense. All other expenses, including plant specific expenses, plant non-specific expenses, customer service expenses and corporate operations expenses, except cost study fees, were excluded from the calculations for purposes of supporting a non-contested level of increased per-line USF support on a partial interim basis. Expenses that are subject to USAC's pending review, normally included in HCLS, have been removed from the calculations for purposes of this interim partial emergency increase in per-line support. The HCLS amount also reflects Allband's pro rata share of the reduction necessary to meet the overall budgeted HCLS.

8. As documented in the accompanying affidavit of Tim Morrissey and accompanying attachments, the undisputed costs (not within the scope of the USAC review) justify a minimum level of HCLS and ICLS support of $724,742 or $375 per line/month. Allband therefore petitions for this increase in per-line support above the $250 Cap, so that the continuing loss of USF support currently imposed by the July 20, 2016 Order can be mitigated pending completion of the USAC compliance review (which is expected to confirm that yet a higher level of USF per-line support, above $375 per-line, is justified). The grant of this emergency interim partial increase in per-line support is necessary immediately in order for ACC to continue operations and to provide service and to financially survive pending finalization of USAC's long-awaited compliance report. This emergency partial interim increase in per-line USF support is also necessary in order for ACC to continue making its payments on its RUS loan and to bridge the time-gap until ACC can file a new FCC waiver petition following the completion of USAC's uncompleted compliance report, and due to ACC's concern regarding the amount of time the current review and waiver process has taken, and ACC's immediate need for cash flow to remain operational.

9. Since ACC received its original waiver of the $250 Cap on July 25, 2012,[4] ACC has worked diligently to reduce its expenses and to steadily reduce the amount of its per line USF support, and to run a "lean" operation without negatively impacting growth. The FCC recognized Allband's attention to its expenses and staffing levels in its original 2012 Waiver Order. The Commission's 2012 Waiver Order (paragraph 12) inherently recognized that USF per-line support considerably above the $250 per line level was justified in order to provide service, continue operations, and to meet its payment obligations on its RUS loan.[5] ACC also has diligently exerted efforts in accordance with the 2012 Waiver Order to reduce expenses and pursue strategies referenced therein, as follows:

- Per **Attachment #1**: The elimination of paid holidays has saved the Cooperative a total of $43,456.32 to date. Employees who originally received benefits previously and have since lost them, have saved the Cooperative $42,143.20 to date. ACC, who has elected to not provide benefits to its staff for several years, has saved the Cooperative a potential of $242,224 to date.

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[4] Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order.

[5] The Order, paragraph 12, stated: We also find that the public interest would be served by granting a waiver for a limited period of time. Specifically, we find that the record supports Allband's claims that consumers in the area will not be able to continue to receive voice service, absent a waiver in the near-term. In reviewing Allband's financial statements, it appears that the management of Allband is mindful of its expenses and limited financial resources given the size of its business. For example, in our view, the salaries and wages of Allband's seven employees are modest.41 Similarly, while certain other expenses, such as legal, accounting, and insurance are ongoing and an unavoidable cost of doing business, Allband's level of expenses, on a total dollar basis, are reasonable given the size and age of Allband's operation. Accordingly, we find that Allband is not in a position to immediately reduce its expenses in these areas. Similarly, given the low population density in Allband's service territory, Allband also will not be in a position to increase its revenues from consumers in the short-term.

- Staffing layoffs due to the Commission's July 20, 2016 Order has saved ACC $45,745.87 in payroll expense, per **Attachment #1**.

- ACC implemented a new bonus structure which is tied solely to revenue and not performance. ACC staff are eligible to make more money, but only on a commission basis tied to revenue increases. This is meant to drive revenue and at the same time improve the compensation of it staff without incurring further payroll expense. Performance bonuses which were also a part of ACC's compensation system, were frozen immediately once the FCC denied its July 16 waiver, which has saved the Cooperative $14,459.12 to date, per **Attachment #1**.

- Per **Attachment #2**, Allband has fought a high level of property taxation from the State of Michigan and contended, as it still does, that the high level of taxation is a barrier to rural growth. After many years of appeals, Allband was successful in its settlement negotiations with the State and convinced the State of Michigan Tax Commission that relief was needed to help bridge the digital divide in our community. These tax savings, dating back to 2013, saved the Cooperative a total of $219,126.72 through 2015, with an estimated further savings of approximately $75,000 in 2016. These savings further reduce the amount of recovery that ACC requires from the Universal Service Fund.

- While the current compliance review with USAC is focused on expense allocations between ACC and its non-regulated entity, AMM, the creation of AMM in 2012 has reduced the amount of support required from the USF Fund and has provided new sources of revenue that were previously absent. The creation and promotion of AMM addressed some of the steps the Commission recommended in its 2012 Waiver Order. Per **Attachment #3**, ACC's per line support has <u>decreased</u> since

2013 from $615 per loop to $434 per loop in 2015. This also comports with the FCC's July 25, 2012 order (paragraph 14) granting Allband its original waiver which urged ACC, "to actively pursue any and all cost cutting and revenue generating measures in order to reduce its dependency on federal high-cost USF support".[6]

- Due to the sudden reduction in per-line support imposed by the July 2016 Commission Order, ACC has virtually depleted all of its capital reserves, which directly impacts ACC's ability to make its RUS loan payments, and to pay its vendors and staff after January 2017 or soon thereafter. This directly obstructs Allband's ability to seek and expand revenues to further reduce Allband's dependency on Universal Service Funding. While the FCC and Allband has emphasized the need for further loop development[7], the FCC itself in paragraph 12 of its 2012 Waiver order stated that, "given the low population density in Allband's service territory, Allband also will not be in a position to increase its revenues from consumers in the short-term", relying on Coop expansion alone to dilute Allband's per-line support is not feasible."

The interim increase in the level of USF support per loop as requested in ACC's accompanying emergency petition (in addition to an increased level of support that may well be supported by the pending USAC compliance review and further waiver petition) is the only means for ACC to continue payments on its RUS loan (as originally planned prior to the existence of AMM), to

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[6] Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, paragraph 14.

[7] Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, Section 14.

continue operations, and to move forward with the development of new regulated and non-regulated revenue opportunities. ACC's successful efforts so far have complied with the Commission's July 2012 Waiver Order, paragraph 14, which stated:

> "During this time, we expect Allband to actively pursue any and all cost cutting and revenue generating measures in order to reduce its dependency on federal high-cost USF support. Specifically, we anticipate that Allband, during this three-year waiver period, will continue efforts to expand its subscriber base to the extent possible and lower its support needs on a per-line basis, while at the same time taking all necessary steps to reduce its total costs as the company matures".[8]

As the General Manager, I can confirm that Allband has taken dramatic steps to reduce its dependency on USF funding by maintaining existing loops and pushing for not only regulated loop growth, but non-regulated growth as well.[9] As demonstrated by **Attachment #4**, despite line loss in 2014, ACC has been able to maintain and even grow, more recently, its loops while increasing its non-regulated access lines, which inserts non-USF revenue streams and dilutes the operational expense that is attributable to USF. Allband has undertaken valiant and successful efforts to address all the goals set by the Commission's 2012 Waiver Order. At the same time, Allband, a carrier of last resort, still provides 911 and ILEC services to a very rural area, remains the only reliable provider of voice and Internet services in its exchange and has fully met the Universal Service goals and objectives of the 1996 Telecommunications Act.

10. ACC has also undertaken diligent efforts since the issuance of the Commission's December 2015 Order to reach out to USAC and the Commission Staff to understand and address the nature of the shortcomings raised in the USAC's September 2015 report and the Commission's

[8] Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules, DA 12-1194, WC Docket no. 10-90, Order, Released: July 25, 2012 Order, paragraph 14.

[9] The continued loyalty of ACC's customer/members contrasts with the current national trend of loop cannibalization by wireless networks.

December 2015 Order. These efforts have included Allband's November 2015 response to USAC's September 2015 memorandum, followed by repeated e-mails and phone messages to try to communicate with and provide prompt information to USAC, upon and after issuance of the Commission's December 2015 Order. Allband has also actively engaged USAC since the July 20, 2016 order denying its waiver as identified in the timeline in section 10 of Tammy Veasy's affidavit. Allband has cooperated fully with USAC and has taken every means necessary to try and accelerate the compliance review process, including weekly conference calls and an onsite USAC visit to Allband's offices on September 26, 2016, during which corrective action efforts were presented to USAC and discussed in detail. Allband also urged USAC per the attached letter **(Attachment #5)**, to concur with Allband on the interim level of support now proposed in this emergency petition, which was refused.

Since the compliance review process began in July 2016, the lack of progress has become a great concern to Allband management and is bearing similarities to the review ACC experienced in 2015. ACC and its consultants have experienced the following:

a) ACC, since its initial calls with USAC in July 2016, was under the impression that USAC would engage Allband to help them ensure compliance, not just collect test data. To date, USAC has not offered much "advice", but has strictly collected test data and pointed out a few minor compliance issues. The overall compliance corrections have been predominantly handled by Allband and its consultants with little feedback from USAC in terms of the accuracy of our compliance efforts. USAC has mentioned that we have made progress, but that is it.

b) USAC staff have stated that they are not familiar with the process in terms of how USAC is to handle the review process and that it is new to them.

c) ACC has not been able to obtain a timetable of completion from them leaving the process open-ended.

d) USAC has stated that both the USAC review in 2015 and the current compliance review are “unique” or “special” and are not governed by the same auditing standards of other USAC audits. ACC and its consultants have continually expressed concern to USAC regarding the lack of governance and mystery surrounding the “special” process.

e) Similar to the review in 2015, USAC expressed a sincere desire to let ACC review their memorandum before their final submission to the FCC and work proactively with ACC to address any lingering compliance issues. After being blind-sided by USAC’s memo in 2015, the current USAC compliance team, which is made up of both analysts and attorneys, confirmed that the process would be collaborative and ACC would be able to review the memo and findings with an opportunity to correct them, similar to a normal USAC review or audit. This again, is not the case, with the USAC compliance group recently retracting their offer to allow ACC the ability to review the memo and findings before it is submitted to the FCC and disengaging from pervious promises to not put ACC through the same treatment it received during its 2015 review.

f) USAC has not been forthcoming in the involvement of the FCC in this process. Recent discussions with USAC have caused confusion in regards to the FCC’s participation in the review. When asked if USAC has a contact that ACC can speak to at the FCC to try and speed up the process, we were told they did not, yet when asked if the FCC was involved and being updated on the process, USAC said the FCC was involved.

It is both concerning and disappointing that the efforts and sincere nature of Allband in its efforts to correct its issues and move forward for the sake of survival are not being met with the same concern by USAC and the FCC. As the manager of ACC, I express great concern in regards to the process we are currently under, how it is being handled and whether or not USAC and the FCC truly have the best interest of the public in mind. The current lack of transparency surrounding the USAC review, lack of good faith and due process is of the utmost concern to ACC. I have personally expressed, over and over, that urgency is critical to the survival of Allband, yet we are now over 5 months into a review that could have taken a team of expert business accountants only a few days to finalize.

11. The Commission's denial of ACC's waiver in its July 2016 Order and the time it has now taken for USAC's review, has placed Allband in a severe state of financial hardship. Without some form of emergency relief as requested in Allband's accompanying Petition, ACC will be out of capital and will be non-operational within 30-45 days. To date, I am not aware of any data or documentation that is still owed to USAC, nor am I aware of any delays in the compliance review process caused by Allband. Given the amount of time (over 5 months) since the USAC compliance review began and Allband's dire financial situation, the granting of this emergency petition has become critically necessary.

12. In addition to Allband's efforts to complete its USAC compliance review and to submit the accompanying emergency petition, Allband has also fully informed the RUS of the complications that the FCC's December 2015 and July 2016 Orders have created in regards to Allband's ability to meet its RUS loan obligations.[10] In addition to earlier contacts and meetings,

[10] In its 2012 Waiver Order, the Commission stated, "we further note that Allband has expressed its willingness, if necessary, to work with RUS to rework its loan terms. We envision that this is just one of the steps Allband may take to improve its financial position."

Allband sent RUS the attached letter on July 29, 2016 **(Attachment #6),** notifying RUS about the financial shortfall that the Commission's July 2016 waiver denial will cause. While Allband has been actively seeking modifications to its loan, it has not to date received confirmation that RUS intends to provide short-term or long-term relief concerning its loan obligations.

13. In the Commissions' July 20, 2016 order, it referred to a claw-back review for years 2012-2015, to be performed by USAC once Allband's compliance review is complete. This reference need not and should not dissuade the Commission from granting Allband's $375 per line partial interim emergency petition, pending any further increase in per-line support based upon the USAC review. This is because such a full reconciliation can be readily addressed on a post-emergency order basis.[11] Allband notes in this regard that there remains significant offsets to any potential claw-back. For example, per Allband's 2011 Cost Study which impacted 2013 USF disbursements, Allband was shorted approximately $124,420, because the Commission's July 25, 2012 Waiver Order limited Allband's support based on the first six months of its 2012 disbursements (annualized). Per Allband's 2012 Cost Study, which impacted 2014 USF disbursements, Allband lost approximately $110,102 related to the 2012 order. Allband asserts that this unintended Commission oversight should be considered by the Commission in determining any claw-back of overpayment, as Allband did not receive the entire amount of USF support it was entitled to in 2013 and 2014. In addition to the above loss of support, the shortfall between the current $250 per line cap since July 1, 2016 and Allband's yet to be determined, post-compliance review level of support, also should be reconciled in determining any potential claw-back.

[11] The Commission's July 20, 2016 Order specifically provided for a later reconciliation, which clarifies that this emergency petition can be granted without altering that follow-up process.

14. Allband also asserts that the across-the-board presumptive Part 54.302 High Cost Loop (HCL) Cap of $250 per line (set on a national "one-shoe-fits-all" basis) had no rational applicability to Allband, which was a newly formed company, serving an unserved territory, which built a new network of fully broadband-capable facilities, all in accordance with Congressional policy and previous orders of the FCC and the Michigan Public Service Commission (MPSC). Given the characteristics of Allband's service area and the newness of the company, the $250 per line cap, which was realistically only applicable to mature companies, should not have been applied to Allband from the start, regardless of the lengthy and expensive waiver process offered at the time. The Commission's apparent unstated premise that Allband could fully address and meet the $250 cap within the limited three-year waiver period (as extended) has also been unrealistic.

Since the FCC started reforming the Universal Service Fund aggressively in 2011, ACC has consistently communicated to the FCC, USAC, RUS, the courts and anyone who would listen that our situation is simple: ACC borrowed money from RUS to provide service in an unserved area that lacked basic 911 communications. In the interest of the public, the FCC approved a waiver to allow Allband access to USF support and RUS followed suit by granting ACC a loan to serve the public interest. By reducing ACC's support, our ability to pay our loan is also reduced or in this situation, crippled. The value and achievements of ACC, who was once a poster child for USF and a champion of rural telecommunication is now being punished, simply for following the FCCs own rules and the intentions of Congress. Yes, ACC unintentionally made affiliate accounting errors when it accepted a 100% grant from the RUS to further its reach into new unserved areas, but those mistakes are not worth the collateral damage we have outlined in the accompanying petition and affidavits, or worth the reversal of the progress ACC has made on behalf of its community. The FCC, in response to ACC's challenges regarding the continued receipt of USF support at current levels in the July 2016 Order in paragraph 32, footnote 100, cites Section 254 of the Communications Act of 1934, which states that "the 'purpose of universal service is to benefit the customer, not the carrier."[12]

ACC agrees with this stance and that is why ACC was structured as a non-profit member-owned Cooperative. ACC and its Board knew that it would take a great deal of USF support to build and repay the loans for its network and sought an organizational structure that would reinforce and work with the goals of the Universal Service Fund. ACC is the customer and is owned by the customer, it is not just a carrier, but a carrier made up of customers. I would urge the FCC to consider this fact when contemplating the value ACC provides, its willingness, as a governing entity to support the constituents ACC serves, and how its action or inaction impacts the public interest.

ACC is not trying to profit, abuse or manipulate the Universal Service Fund as eluded to by Commissioner Clyburn in her statements from the July 2016 Order[13]. ACC simply wants to retain the financial and mission-backed support it once had from the FCC, RUS and the Federal Government. I firmly reject the comments that Allband abused its, "trust by allocating excess costs into the regulated bucket". I also challenge the comments where the Commissioner supports, "quick action to get excess dollars out of Allband's hands and back into the Universal Service Fund, where it can be put to use by those who will work to build affordable, ubiquitous broadband." Am I to understand that the Commissioner supports the retroactive denial of USF

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[12] See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Section 32, Footnote 100

[13] See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Statement of Commissioner Mignon L. Clyburn

support and that phone service should be pulled away from a community who originally could not even call 911? Has Allband not been providing access to ubiquitous broadband? Has Allband's rates not been just, reasonable, and affordable and advanced the availability of such services to all consumers at reasonably comparable rates as those charged in urban areas?

Per, the attached graph **(Attachment #7),** Allband uses a miniscule share of the total fund, so I would urge the Commission to assess the worth of what ACC has accomplished and not dismantle over 10 years of progress, because of an unintentional accounting mistake. A mistake that was caused by further efforts to improve the public interest through ACC's 100% grant-funded ARRA expansion into additional unserved areas.

I do commend the comments of Commissioner O'Rielly who in his statement in the July 2016 order said, "it would be odd indeed for the same Commission that just voted extra "protections" for consumers switching voice service during tech transitions to turn a blind eye to the plight of consumers that could lose service altogether"[14]. Commissioner O'Rielly also said, "I urge the company, USAC and the Commission to work expeditiously to resolve these outstanding questions". I appreciate Commissioner O'Rielly's attention to what is in the best interest of the public and what is at risk in this situation. I urge the Commission and USAC to follow his direction with swift action in regards to ACC's interim emergency waiver request and address the lack of progress that is plaguing ACC's current USAC compliance review.

16. Wholly aside from the ongoing USAC compliance review, Allband requires an emergency partial increase in per-line support for the reasons stated herein and to prevent irreparable harm associated with delays in the ongoing and indefinite USAC review process. I

[14] See, In the Matter of Connect America Fund, Allband Communications Cooperative Petition for Waiver of Certain High-Cost Universal Service Rules in WC Docket. 10-90, released July 20, 2016 (Allband Order), Statement of Commissioner Michael O'Rielly.

further assert that the implementation of the $250 HCL Cap, and the pending unresolved compliance matters between USAC and Allband is creating an unfair loss of USF support and adverse impact upon Allband's efforts to continue making payments on its RUS loan, to continue to provide ILEC services in its exchange, and to continue progress in its efforts to mitigate or reduce per-line support through the pursuit of new sources of revenue. Allband therefore requests the Commission to grant the emergency relief requested in its accompanying petition.

17. This completes my affidavit.

VERIFICATION

I, Ronald K. Siegel Jr., declare under penalty of perjury that the statements in this Affidavit are true and correct to the best of my knowledge and belief.

HEATHER GARANT
NOTARY PUBLIC - STATE OF MICHIGAN
COUNTY OF OSCODA
My Commission Expires Dec. 27, 2019
Acting in the County of Alcona

Ronald K. Siegel Jr.
General Manager
Allband Communications Cooperative
7251 Cemetery Rd.
Curran, MI 48728

Subscribed and sworn before me, this
12 day of January, 2017.
Heather Garant
Heather Garant (Printed Name)
Notary Public, Oscoda County
Acting in the County of: Alcona
My Commission Expires: 12/27/19

Alcona

Attachment #1

Year & # of Employees	Hourly Wage	Annual Holiday Pay 7 days	Benefits Savings	Potential Benefit Savings	Bonus Savings	Lay off Savings
2009	$ 43.27					
6	$ 15.00					
	$ 13.00					
	$ 10.00					
	$ 16.83					
	$ 20.19					
2010	$ 43.27					
6	$ 10.00					
	$ 13.00					
	$ 12.00					
	$ 16.83					
	$ 20.19					
2011	$ 43.27					
7	$ 14.00					
	$ 13.00					
	$ 12.00					
	$ 17.00					
	$ 16.83					
	$ 20.19					
2012	$ 43.27					
8	$ 17.00					
	$ 14.00					
	$ 12.00					
	$ 10.00					
	$ 25.00					
	$ 16.83					
	$ 20.19					
2013	$ 43.27	$ 2,608.49	$ 7,821.84	$ 7,821.84		
8	$ 17.00	$ 1,024.83		$ 4,952.80		
	$ 14.00	$ 843.98		$ 4,952.80		
	$ 10.00	$ 602.84		$ 4,952.80		
	$ 12.00	$ 723.41		$ 4,952.80		
	$ 25.00	$ 1,507.10		$ 4,952.80		
	$ 16.83	$ 1,014.58		$ 4,952.80		
	$ 10.00	$ 602.84	$ 4,952.80	$ 4,952.80		
		$ 8,928.06	$ 12,774.64	$ 42,491.44	$ -	$ -

Year & # of Employees	Hourly Wage	Annual Holiday Pay 7 days	Benefits Savings	Potential Benefit Savings	Bonus Savings	Lay off Savings
2014	$ 43.27	$ 2,608.49	$ 9,280.32	$ 9,280.32		
9	$ 19.00	$ 1,145.40		$ 7,236.00		
	$ 15.00	$ 904.26		$ 7,236.00		
	$ 36.06	$ 2,173.84		$ 7,236.00		
	$ 18.00	$ 1,085.11		$ 7,236.00		
	$ 15.00	$ 904.26		$ 7,236.00		
	$ 13.00	$ 783.69		$ 7,236.00		
	$ 25.00	$ 1,507.10		$ 7,236.00		
	$ 16.83	$ 1,014.58		$ 7,236.00		
		$ 12,126.73	$ 9,280.32	$ 67,168.32	$ -	$ -
2015	$ 43.27	$ 2,608.49	$ 9,635.28	$ 9,635.28		
8	$ 36.06	$ 2,173.84		$ 7,656.00		
	$ 22.00	$ 1,326.25		$ 7,656.00		
	$ 15.00	$ 904.26		$ 7,656.00		
	$ 13.00	$ 783.69		$ 7,656.00		
	$ 28.00	$ 1,687.95		$ 7,656.00		
	$ 17.00	$ 1,024.83		$ 7,656.00		
	$ 20.00	$ 1,205.68		$ 7,656.00		
		$ 11,714.99	$ 9,635.28	$ 63,227.28	$ -	$ -
2016	$ 43.27	$ 2,608.49	$ 10,452.96	$ 10,452.96		
8/5	$ 22.00	$ 1,326.25		$ 8,412.00	$ 2,456.06	$ 8,928.49
	$ 13.00	$ 783.69		$ 8,412.00	$ 1,455.43	
	$ 20.00	$ 1,205.68		$ 8,412.00	$ 2,239.12	$ 19,834.51
	$ 28.00	$ 1,687.95		$ 8,412.00	$ 3,430.33	
	$ 17.00	$ 1,024.83		$ 8,412.00	$ 1,808.20	$ 16,982.86
	$ 18.00	$ 1,085.11		$ 8,412.00	$ 1,626.66	
	$ 16.00	$ 964.54		$ 8,412.00	$ 1,443.33	
		$ 10,686.54	$ 10,452.96	$ 69,336.96	$ 14,459.12	$ 45,745.87
Total Savings		**$ 43,456.32**	**$ 42,143.20**	**$ 242,224.00**	**$ 14,459.12**	**$ 45,745.87**

MTT Docket Number: XXXXXX

Property Owner: **ALLBAND COMM.** **99-089**

Original: 2013		SATR	MTT Approved Order Change: 2013		
Final True Cash Value	$5,354,992		Final True Cash Value	$2,934,132	Assessed Value changed by
Final Assessed Value	$2,677,496		Final Assessed Value	$1,467,066	-$1,210,430
Final Capped Value	$3,890,085		Final Capped Value	$3,890,085	
Final Taxable Value	$2,677,496		Final Taxable Value	$1,467,066	
Gross Tax Due	$132,643.15	49.54	Gross Tax Due	$72,678.45	
Credits			Credits		
Sec 13b(1) Equip credit	$15,917.18		Sec 13b(1) Equip credit	$9,517.35	
Sec 13b(5) Maint credit	$0.00		Sec 13b(5) Maint credit	$0.00	
Total Credits	$15,917.18		Total Credits	$9,517.35	
Net Tax Due	$116,725.97		Net Tax Due	$63,161.10	-$53,564.87 Tax Due

MTT Docket Number: XXXXXX

Property Owner: **ALLBAND COMM.** **99-089**

Original: 2014		SATR	MTT Approved Order Change: 2014		
Final True Cash Value	$6,698,296		Final True Cash Value	$3,623,802	Assessed Value changed by
Final Assessed Value	$3,349,148		Final Assessed Value	$1,811,901	-$1,537,247
Final Capped Value	$4,077,605		Final Capped Value	$4,077,605	
Final Taxable Value	$3,349,148		Final Taxable Value	$1,811,901	
Gross Tax Due	$165,280.45	49.35	Gross Tax Due	$89,417.31	
Credits			Credits		
Sec 13b(1) Equip credit	$6,007.08		Sec 13b(1) Equip credit	$6,007.08	
Sec 13b(5) Maint credit	$1,054.72		Sec 13b(5) Maint credit	$1,054.72	
Total Credits	$7,061.80		Total Credits	$7,061.80	
Net Tax Due	$158,218.65		Net Tax Due	$82,355.51	-$75,863.14 Tax Due

MTT Docket Number: XXXXXX

Property Owner: **ALLBAND COMM.** **99-089**

Original: 2015		SATR	MTT Approved Order Change: 2015		
Final True Cash Value	$7,984,354		Final True Cash Value	$3,900,606	Assessed Value changed by
Final Assessed Value	$3,992,177		Final Assessed Value	$1,950,303	-$2,041,874
Final Capped Value	$4,000,897		Final Capped Value	$4,000,897	
Final Taxable Value	$3,992,177		Final Taxable Value	$1,950,303	
Gross Tax Due	$199,289.48	49.92	Gross Tax Due	$97,359.13	
Credits			Credits		
Sec 13b(1) Equip credit	$23,914.74		Sec 13b(1) Equip credit	$11,683.10	
Sec 13b(5) Maint credit	$0.00		Sec 13b(5) Maint credit	$0.00	
Total Credits	$23,914.74		Total Credits	$11,683.10	
Net Tax Due	$175,374.74		Net Tax Due	$85,676.03	-$89,698.71 Tax Due

Attachment #3

Allband Communications Cooperative
Analys of Allband's Historic USF-HCL and ICLS Support

USF HIGH COST LOOP SUPPORT								
Calendar Year Data	FOR SUPPORT YEAR	YEAR SUBMITTED	SACPL	NACPL	ANNUAL USF HCL SUPPORT PAYMENTS RECEIVED	AVERAGE MONTHLY SUPPORT	USF HCL Line 60 - TOTAL LOOPS	MONTHLY USF HCL SUPPORT PER LOOP
2006	2008	2007	16,896	354.43	410,388	34,199	22	$1,555
2007	2009	2008	11,382	382.97	474,858	39,572	58	$682
2008	2010	2009	8,882	412.54	603,018	50,252	96	$523
2009	2011	2010	9,313	458.36	879,120	73,260	134	$547
2010	2012	2011	8,283	505.97	936,876	78,073	163	$479
2011	2013	2012	8,498	551.06	935,886	77,991	174	$448
2012	2014	2013	8,591	596.17	933,273	77,773	171	$455
2013	2015	2014	7,740	632.93	895,405	74,617	170	$439
2014	*2016	2015	7,646	647.87	723,852	60,321	161	$375
2015	*2017	2016	6,431	647.87	496,188	41,349	153	$270

USF ICLS SUPPORT			
Calendar Year Data	ANNUAL USF ICLS SUPPORT	AVERAGE MONTHLY SUPPORT	MONTHLY USF HCL SUPPORT PER LOOP
2006	NA	NA	NA
2007	204,747	17,062	$294
2008	223,978	18,665	$194
2009	351,074	29,256	$218
2010	371,399	30,950	$190
2011	420,375	35,031	$201
2012	405,520	33,793	$198
2013	359,515	29,960	$176
2014	342,664	28,555	$177
2015	300,529	25,044	$164

TOTAL MONTHLY USF SUPPORT PER LOOP
$1,555
$976
$718
$765
$669
$650
$652
$615
$552
$434

2016 Support is assuming full support (First six month's disbursed amount annualized)
2017 Support is estimated since actual budget caps to USF fund are not final

Allband Communications Cooperative
Line Counts from BCAS Reports
2012 - 2015

Attachment #4

Quarter Ending	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Coop Phone Only	87	78	80	73	78	75	75	66	67	76	75	85	59	53	57	53	46	45	43	47
Coop Bundled	72	76	78	78	81	79	79	82	89	92	94	76	89	89	90	93	94	95	97	96
Total Coop Lines	159	154	158	151	159	154	154	148	156	168	169	161	148	142	147	146	140	140	140	143
AMM Phone Only	0	0	0	0	0	2	3	13	19	19	19	26	21	15	32	16	16	23	23	23
AMM Bundled	0	0	0	0	0	61	78	161	268	216	245	239	248	250	236	234	263	240	235	254
AMM Internet Only	1	61	64	106	153	140	122	198	196	135	187	211	272	229	290	282	312	331	335	328
Total AMM Lines	1	61	64	106	153	203	203	372	483	370	451	476	541	494	558	532	591	594	593	605

Infinity is not impossible
ALLBAND
COMMUNICATIONS COOPERATIVE

October 5, 2016

Amanda Bilodeau
Internal Audit Supervisor
Universal Service Administrative Company
700 12th Street, NW, Suite 900
Washington, DC 20005

Re: Proposal by Allband Communications Cooperative (ACC) for Joint Concurrence by USAC in Support of ACC Emergency Petition for Partial Interim Waiver of Per-line support pending completion of USAC audit and review

Dear Ms. Bilodeau:

The purpose of this letter and attachments is to provide USAC with information as to a suggested minimum baseline per-line calculation of USF support, regardless of any differences that remain to be resolved in USAC's ongoing audit and compliance review. This information is submitted to USAC for three essential reasons: (1) to provide additional clarity relevant to USAC's ongoing review; (2) to request USAC to concur in this minimum per-line USF reimbursement calculation, in support of a request by ACC to the FCC to promptly approve an interim partial waiver increase in its USF support from $250 to its suggested $375 per line; and (3) to expedite approval of a partial interim waiver to increase USF support to ACC given the critical financial exigencies imposed upon ACC as a result of the FCC's July 20, 2016 Order.

In support of this request, I am attaching the memo of Tim Morrissey of FWA, with attached analysis, which suggests that an initial partial interim increase in per-line support to $375 per line is justified, wholly irrespective of any accounting allocations being reviewed by USAC. Realistically, the proper per-line support that can be expected as an outcome of the ongoing audit review should be higher than the $375 per-line support level, as a number of allocations support assignment of other costs to ACC.

The attached information establishes that there is a higher level of USF per-line support above $250 per line that can be and should be acknowledged wholly irrespective of the outcome of any determinations of yet higher per line support following completion of the USAC review being undertaken in accordance with the FCC's July 20 order. Pending completion of this USAC process, ACC suggests that an interim partial increase of USF per line support to $375 be implemented on an emergency basis, hopefully with USAC's concurrence, as that interim support level should not be dependent upon the ongoing audit review.

Another purpose of this proposal by ACC is the recognition that ACC cannot survive under the sudden and unforeseen cut to $250 per line level imposed by the FCC's July 20 order, and also cannot continue payments upon its federal RUS loan at this level. Swift concurrence by USAC, and approval of an emergency partial interim waiver by the FCC to increase the suggested per-line support to $375 per line, will temporarily mitigate this impending situation while the USAC audit process is being finalized, a process which will take more time, and hopefully, not much more time.

Please advise whether the USAC can concur with ACC to support an emergency partial interim waiver increase in its suggested per-line support of $375 per-line, pending prompt completion of USAC's ongoing audit and compliance review.

As we have indicated several times on phone conferences and in emails, this matter is of critical urgency to ACC. I can be reached at any time by phone at 989-369-9870 or by email at rsiegel@allbandcomm.com.

Sincerely,

Ron Siegel
General Manager

MEMORANDUM

TO: AMANDA BILODEAU, USAC
FROM: TIM MORRISSEY, FWA
SUBJECT: ALLBAND UNDISPUTED SUPPORT AMOUNT
DATE: OCTOBER 4, 2016
CC: BRANDON RUFFY, ANNA JOHNSON

The purpose of this Memorandum and the attached analysis is to document the amount of floor per-line support that is justified for Allband Commnications Cooperative, Inc. (Allband) wholly irrespective of any findings or exceptions contained in the September 23, 2015 USAC Audit Report (Report), the July 20, 2016 Order of the Federal Communications Commission, or any determinations that may result from USAC's ongoing audit and compliance review.

The Report contains several findings that pertain only to time reporting and certain operating expense accounts with respect to account classification and assignment to non-regulated operations. For the years 2012 through 2014, the audit report doesn't contain any findings concerning the amounts of Allband's regulated network investments and related costs including return on investment, depreciation expense and operating taxes. Additionally, the Report does not contain findings nor express concerns with expenses associated with preparation of Allband's cost study that is necessary for determination of its high cost support amounts.

FWA calculated the amount of support for 2014 that pertains to the costs that are undisputed in the Report. The 2014 cost study employed to calculate support amounts incorporates corrections of findings contained in USAC's Report. Additionally, Allband has made changes to amounts in the study to incorporate impacts of leases for central office equipment that is jointly used by Allband and Allband Multi Media. Interstate Common Line Support (ICLS) and High Cost Loop Support (HCLS) were calculated only including costs for return on investment, depreciation expense, operating taxes and cost study expense. All other expenses, including plant specific expenses, plant non-specific expenses, customer service expenses and corporate expenses, except cost study fees, were excluded from the calculations. Allband's cost studies are currently under review by USAC, including review of the aforementioned expenses, for determination of a reasonable amount of cost recovery that may be included in Allband's ICLS and HCLS amounts.

A summary of the total support amount and the amount per line/month, based only on the undisputed costs identified above, is shown on Attachment 1.

Attachment 1 shows that the HCLS including only the recovery of undisputed costs is $482,725 and the ICLS is $241,803. The sum of these amounts represent a total support amount of $724,528 or $375 per line/month. Attachment 2 contains support for calculation of the HCLS. On Attachment 2, Page 2, Lines AL13, AL14, AL15, AL16, AL21 and AL22 reflect revisions to incorporate balances of zero in the support calculations. The amount shown on Line AL19 are expenses directly attributable to cost study preparation. Consequently, expenses that are subject to USAC's pending review, normally included in HCLS, have been removed from the calculation of the support amount. The HCLS amount also reflects Allband's pro rata share of the reduction necessary to meet the overall budgeted HCLS. Attachment 3 provides support for the calculation of ICLS support. The Common Line revenue requirement shown is $254,361. As shown on Attachment 3, Page 3, the only expenses included in the revenue requirement are depreciation, cost study expense, and operating taxes. The ICLS amount of $241,803 shown on Attachment 1 reflects the Common Line Revenue Requirement less the End User Common Line Charges of $12,558.

Regardless of the outcome of the current USAC review of Allband, the undisputed costs for 2014 justify a minimum level of HCLS and ICLS support of $724,528 or $375 per line/month.

Please don't hesitate to contact me with any questions. My contact information is provided below.

Tim Morrissey
121 East College Street
Broken Arrow, Oklahoma
(918) 298-1618
tmorrissey@fwainc.com

ALLBAND COMMUNICATIONS COOPERATIVE
CALCULATION OF PROJECTED
UNIVERSAL SERVICE FUNDING FOR CAPITAL COSTS ONLY
BALANCE FOR THE YEAR ENDED DEC 31, 2014

Summary of Support Per Loop for Recovery of Capital Costs Only

			Total	Per Loop
1	Total HCLS	See Attached Estimated Annual HCL	$482,725	$250
2	Total Common Line	See Attached Interstate Part 69	$254,361	
3	Less: EUCL Revenue	$6.50*161 Lines * 12	$12,558	
4	ICLS Support	Line 2 Less Line 3	$241,803	$125
5	Total HCLS and ICLS Per Line		$724,528	$375

ALLBAND COMMUNICATIONS COOPERATIVE
CALCULATION OF PROJECTED
UNIVERSAL SERVICE FUND REPORT OF DATA
BALANCE FOR THE YEAR ENDED DEC 31, 2014

Calculation of High Cost Fund Support

CURRENT YEAR - Cap Costs Only w/ Switch and Router adjustment

National AverageUnseparated Revenue Requirement Per Loop	**647.87**	Per NECA Online System		
Revenue Requirement Per Loop	$5,363			
Company Access Lines	161			
	Allocation Amount	Interstate Allocation	Intrastate Allocation	Universal Service Fund
0 - 115% of National Average	745	186	559	-
	100%	25%	75%	0%
115% - 150% of National Average	227	57	23	147
	100%	25%	10%	65%
Over 150% of National Average	4,392	1,098	-	3,294
	100%	25%	0%	75%
TOTAL	5,363	1,341	581	3,441

Calculated Support		
Annual Amount	$554,008	(3,441*161 Lines)
Pro Rata Factor	0.871332	
Estimated Annual USF HCL:	$482,725	
	$250	

ALLBAND COMMUNICATIONS COOPERATIVE

UNIVERSAL SERVICE FUND
LOOP COST AND EXPENSE ADJUSTMENT ALGORITHMS

	DESCRIPTION	AMOUNT
AL1	C&WF plus C&WF portion of Capital Leases assigned to Cat. 1	5,644,426
AL2	Central Office Equipment plus COE portion of Capital Leases assigned to Category 4.13	161,986
AL3	"A" Factor C&WF. C&WF Cat 1 divided by Total C&WF	0.988637051
AL4	"B" Factor COE. COE Cat 4.13 divided by Total COE.	0.188633502
AL5	"C" Factor C&WF (Gross Allocator) C&WF Category 1 divided by Total Plant in Service	0.810694289
AL6	"D" Factor COE (Gross Allocator) COE Category 4.13 divided by Total Plant in Service	0.0232656
AL7	Material & Supplies assigned to C&WF Cat. 1	106,977.41
AL8	Material & Supplies assign to COE Cat. 4.13	3,070.08
AL9	Accumulated Depreciation plus Net Noncurrent Deferred Operating Income Taxes assign to C&WF Cat. 1	1,644,951.32
AL10	Accumulated Depreciation plus Net Noncurrent Deferred Operating Income Taxes assign to COE Cat 4.13	112,586.63
AL11	"E" Factor C&WF (Net Allocator) NET C&WF Cat. 1 divided by NET TPIS	0.867453978
AL12	"F" Factor COE (Net Allocator) NET COE Cat. 4.13 divided by NET TPIS	0.011083692
AL13	C&WF Maintenance Expense Assigned to Cat. 1	0.00
AL14	COE Maintenance Expense assigned to Cat. 4.13	0.00
AL15	Network Support Expenses plus General Support Expenses assigned to C&WF Cat. 1 and COE Cat. 4.13	0.00
AL16	Network Operations Expenses assigned to C&WF Cat. 1 and COE Cat 4.13	0.00
AL17	Depreciation and Amortization Expense assigned to C&WF Cat 1	256,564.61
AL18	Depreciation and Amortization Expense assigned to COE Cat 4.13	16,064.91
AL19	Corporate Operations Expense assign to C&WF Cat. 1 and COE Cat. 4.13, limited in accordance with 36.621(a)(4)	35,472.48
AL20	Operating Taxes assigned to C&WF Cat. 1 and COE Cat. 4.13	87,576.98
AL21	Benefits other than Corporate Operations Expense assigned to C&WF Cat. 1 and COE Cat. 4.13	0.00
AL22	Rents assigned to C&WF Cat. 1 and COE Cat. 4.13	0.00
AL23	Return Component for C&WF Cat. 1	461,975.83
AL24	Return Component for COE Cat. 4.13	5,902.79
AL25	Total Unseparated Costs	863,557.60
AL26	Study Area Cost per Loop (SACPL)	$5,363.71

ALLBAND COMMUNICATIONS COOPERATIVE
COST STUDY FOR THE YEAR ENDED DEC 31, 2014
INTERSTATE PART 69 Prepared 8/22/2016

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)			(j)	(k)	(l)
	Total	Total				Interstate Allocated Amount								
Account/Category	Amount	Allocated LDI	CL - EU	CL - CXR	Switch	Info	Transport	Eq Acc	Spcl Acc	SpAc - Other	SpAc - DSL	B&C	IX - Msg	IX - PL
1. Rate Base	4,810,302	1,362,893	1,137,915	0	77,268	0	11,202	0	136,508	33,069	103,439	0	0	0
2. Rate of Return	9.2792%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%	11.2500%
3. Return on Rate Base	446,355	153,325	128,015	0	8,693	0	1,260	0	15,357	3,720	11,637	0	0	0
4. Interest During Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5. ITC and Excess Deferred Tax Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Other Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Net Return	446,355	153,325	128,015	0	8,693	0	1,260	0	15,357	3,720	11,637	0	0	0
14. State Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Federal Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Operating Expenses	469,656	180,619	115,907	0	27,988	0	1,023	0	35,701	4,191	20,876	0	0	0
17. Uncollectibles	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Revenue Requirement (Pre-MAG)	916,011	333,945	243,922	0	36,681	0	2,284	0	51,058	7,911	32,513	0	0	0
MAG SHIFT FOR JANUARY THROUGH JUNE 2014														
19. Line Port Shift			10,439											
20. TIC Allocation			0	0					0	0	0			
21. Revenue Requirement After MAG Adjustment		411,431	254,361	0	106,012				51,058	7,911	32,513	0	0	0
MAG SHIFT FOR JULY THROUGH DECEMBER 2014														
22. Frozen Line Port Shift			10,439											
23. Frozen TIC Allocation			0	0					0	0	0			
24. Revenue Requirement After Frozen CAF		406,131	254,361	0	100,712				51,058	7,911	32,513	0	0	0
25. Revenue Requirement After MAG Allocation		408,781	254,361	0	103,362	0	0	0	51,058	7,911	32,513	0	0	0
			131.6568092											
Original with only capital costs and associated expenses			131											
Frozen ICLS Based on FCC Waiver order limited Allband Support to USF received from 1/1/2012 to 6/30/2012			371,028											
Amount Disallowed:			0											

ALLBAND COMMUNICATIONS COOPERATIVE
COST STUDY FOR THE YEAR ENDED DEC 31, 2014
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Account/Category	(a) Total Amount	(b) Total Allocated LDI	(c) CL - EU	(d) CL - CXR	(e) Switch	(f) Info	(g) Transport	(h) Eq Acc	(i) Spcl Acc	SpAc - Other	SpAc - DSL	(j) B&C	(k) IX - Msg	(l) IX - PL
						Interstate Allocated Amount								
Account 2001 - Plant in Service:														
1. Account 2410 - Cable and Wire Facilities	5,709,300	1,449,989	1,411,106	0	0	0	12,933	0	25,950	25,950	0	0	0	0
2. Account 2310 - Information Orig/Term Equip	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Account 2210 - Switching Equipment	228,236	194,001	0	0	194,001	0	0	0	0	0	0	0	0	0
4. Account 2220 - Operator Systems	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Account 2230 - Transmission Systems	381,078	254,934	40,849	0	0	0	1,789	0	212,295	22,976	189,319	0	0	0
6. Account 2110 - Land and Support Assets	306,802	92,203	70,500	0	9,420	0	715	0	11,568	2,376	9,192	0	0	0
7. Account 2680 - Tangible Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Account 2690 - Intangible Assets	95,327	28,648	21,905	0	2,927	0	222	0	3,594	738	2,856	0	0	0
9. Total Account 2001 - Plant in Service	6,720,743	2,019,774	1,544,361	0	206,347	0	15,659	0	253,407	52,039	201,368	0	0	0
11. Equal Access Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Account 2002 - Property Held for Future Use	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13. Account 2003 - Plt. Und. Const., Short Term	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Account 2004 - Plt. Und. Const., Long Term	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Account 2005 - Plant Acqusition Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16. Account 1220 - Materials and Supplies	129,673	32,933	25,181	0	3,365	0	255	0	4,132	849	3,283	0	0	0
17. Rural Telephone Bank Stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Cash Working Capital	32,676	16,605	12,696	0	1,696	0	129	0	2,083	428	1,655	0	0	0
19. Gross Rate Base	6,883,092	2,069,312	1,582,238	0	211,408	0	16,043	0	259,622	53,316	206,306	0	0	0
20. Account 3100 - Accumulated Depreciation	1,977,464	677,771	422,418	0	131,214	0	4,619	0	119,520	19,509	100,011	0	0	0
21. Account 3200 - Deprec. on Prop. Held for Fut. Use	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Account 3400 - Accumulated Amort. on Tang. Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Account 3500 - Accumulated Amort. on Intangibles	95,327	28,648	21,905	0	2,927	0	222	0	3,594	738	2,856	0	0	0
24. Account 3600 - Other Accumulated Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Account 4040 - Customer Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25. Account 4100 - Current Deferred Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26. Account 4310 - OPEB	0	0	0	0	0	0	0	0	0	0	0	0	0	0
27. Account 4340 - Non-current Deferred Income Tax	0	0	0	0	0	0	0	0	0	0	0	0	0	0
28. Equal Access Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29. Total Reserves	2,072,791	706,419	444,323	0	134,140	0	4,841	0	123,114	20,247	102,867	0	0	0
30. Net Rate Base	4,810,302	1,362,893	1,137,915	0	77,268	0	11,202	0	136,508	33,069	103,439	0	0	0

Note 1 : Separated based upon total expense less non-cash items. Allocated based upon "Other Investment" (Part 69.309)
Note 2 : Allocated based upon relative Telephone Plant in Service

ALLBAND COMMUNICATIONS COOPERATIVE
COST STUDY FOR THE YEAR ENDED DEC 31, 2014
INTERSTATE PART 69 Prepared 8/22/2016

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)			(j)	(k)	(l)
	Total	Total				Interstate Allocated Amount								
Account/Category	Amount	Allocated LDI	CL - EU	CL - CXR	Switch	Info	Transport	Eq Acc	Spcl Acc	SpAc - Other	SpAc - DSL	B&C	IX - Msg	IX - PL
Plant Specific Operations Expense:														
1. Account 6110 - Network Support Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Account 6120 - General Support Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Account 6210 - Switching Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Account 6220 - Operator Systems Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Account 6230 - Transmission Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Account 6310 - Info Orig/Term Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Account 6410 - Cable and Wire Facilities Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Total Plant Specific Operations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plant Non-Specific Expense:														
9. Account 6510 - Oth. Prop., Plt. and Eq. Exp.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Account 6530 - Network Operations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11. Account 6540 - Access Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Account 6560 - Deprec. of Plant in Service	326,358	107,802	71,485	0	14,261	0	789	0	21,268	3,411	17,857	0	0	0
13. Account 6560 - Amort. of Plant in Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14. Account 6560 - Amortization of Acq. Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15. Equal Access Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Total Plant Non-Specific Operations Expense	326,358	107,802	71,485	0	14,261	0	789	0	21,268	3,411	17,857	0	0	0
Customer Operations Expense:														
19. Account 6610 - Marketing Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Account 6620 - Services Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Total Customer Operations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Operations Expense:														
22. Account 6710 - Exec. and Planning Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23. Account 6720 - General and Admin. Expense	42,535	42,535	21,268	0	10,634	0	0	0	10,634	0	0	0	0	0
24. Total Corporate Operations Expense	42,535	42,535	21,268	0	10,634	0	0	0	10,634	0	0	0	0	0
25. Account 7100 - Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Operating Taxes														
27. Account 7200 - Other Operating Taxes	100,762	30,282	23,154	0	3,094	0	235	0	3,799	780	3,019	0	0	0
Other Expenses														
28. Account - 7370 Special Charges (Allowed Portion Only)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
29. Account - 7540 Interest on Customer Deposits	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30. Total Other Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31. Total Operating Expense excluding Income Taxes	469,656	180,619	115,907	0	27,988	0	1,023	0	35,701	4,191	20,876	0	0	0

ALLBAND COMMUNICATIONS COOPERATIVE
COST STUDY FOR THE YEAR ENDED DEC 31, 2014
INTERSTATE PART 69 Prepared 8/22/2016

Account/Category	(a) Total Amount	(b) Total Allocated LDI	(c) CL - EU	(d) CL - CXR	(e) Switch	(f) Info	(g) Transport	(h) Eq Acc	(i) Spcl Acc	SpAc - Other	SpAc - DSL	(j) B&C	(k) IX - Msg	(l) IX - PL
			Interstate Allocated Amount											
Separations Factors														
1. Account 2001 - Plant in Service	1.000000	1.000000	0.764621	0.000000	0.102164	0.000000	0.007753	0.000000	0.125463	0.025765	0.099698	0.000000	0.000000	0.000000
2. Net Telephone Plant	1.000000	1.000000	0.835793	0.000000	0.056133	0.000000	0.008225	0.000000	0.099848	0.024245	0.075603	0.000000	0.000000	0.000000
3. Plant Under Construction	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
4. Plant Spec. Ops. Exp., excl. Gen. & Ntwk. Sup.	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Network Operations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6. Customer Operations Expense	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7. Big 3 Expense (Lines 4 thru 6)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8. Distribution of Line 7	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Access Factors														
9. Plant Specific Operations Expense		0	0	0	0	0	0	0	0	0	0	0	0	0
10. Plant Non-specific Operations Expense		0	0	0	0	0	0	0	0	0	0	0	0	0
11. Customer Operations Expense		0	0	0	0	0	0	0	0	0	0	0	0	0
12. Big 3 Expense (Lines 9 thru 11)		0	0	0	0	0	0	0	0	0	0	0	0	0
13. Distribution of Line 12		0.000000	0.500000	0.000000	0.250000	0.000000	0.000000	0.000000	0.250000	0.000000	0.000000	0.000000	0.000000	0.000000
14. IO/T, C&WF, COE, Gen. Supp., & Equal Access		1.000000	0.764621	0.000000	0.102164	0.000000	0.007753	0.000000	0.125463	0.025765	0.099698	0.000000	0.000000	0.000000
15. Account 2001 - Plant in Service (IX Carrier)		1.000000	0.000000	0.000000	0.434038	0.000000	0.032937	0.000000	0.533025	0.109461	0.423563	0.000000	0.000000	0.000000
Income Adjustments for Taxes														
16. ITC Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17. Excess Deferred Tax Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18. Fixed Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19. Depreciation Adjustment	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20. Allowance for Funds Used During Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21. Other Adjustments for Income Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22. Total Income Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Infinity is not impossible
ALLBAND
COMMUNICATIONS COOPERATIVE

July 29, 2016

Mr. Brandon McBride, Administrator
USDA Rural Development
Rural Utilities Service
STOP 1510, Rm 5135
1400 Independence Ave, SW
Washington, DC 20250-1510

Re: Allband Loan Repayment

Dear Administrator McBride:

This letter is to update you regarding the status of Allband Communications Cooperative (Allband) following our meeting with you and your Staff on June 28, 2016. I was truly appreciative that you and your Staff were able to meet with me to discuss Allband at that time.

Since our meeting, the Federal Communications Commission (FCC) issued its July 20, 2016 Order which I have attached for your convenience. The FCC Order has raised issues concerning the allocation of expenses between Allband and its more recently formed subsidiary, Allband Multimedia (AMM), which received a federal grant to provide broadband facilities and services in our rural area of Michigan.

While we believe that the expense and allocation issues raised in the FCC Order involve an insignificant portion of Allband's overall costs, and has a *de minimus* (if any) impact upon Allband's Universal Service Fund (USF) per-line reimbursements, the FCC Order unfortunately has on an interim basis drastically cut Allband's per-line reimbursements to $250 per line. Based upon our discussions with the National Exchange Carriers Association (NECA), we expect to incur a reduction in support of over $50,000 per month effective July 1, 2016.

The FCC Order has also required Allband to work with USAC to review and resolve these cost allocation matters, after which Allband may reapply for a waiver of the FCC's per-line cap rule. Allband has promptly and proactively responded to the FCC's Order by contacting the Universal Service Administrative Company (USAC) to provide them with all records and information to demonstrate to USAC that Allband has complied with, and administered, the FCC allocation rules in good faith, and will continue to do so. We believe that Allband's diligent efforts in working with USAC will establish that any variances were extremely limited, incidental, unintentional, and resulted in a very *de minimus*, if any, impact upon Allband's USF support.

Allband's work with USAC commenced immediately upon receipt of the FCC Order, and will continue for several weeks or more. We expect that this review process will establish to USAC that Allband qualifies for an FCC Waiver and USF support reasonably commensurate with past support levels.

In the meantime, Allband has immediately undertaken several steps to further reduce costs with respect to its already lean operations and cost structures. This includes some layoffs of its very limited Staff, and other cost saving efforts to conserve financial resources in order to continue operations as an Incumbent Local Exchange carrier (ILEC). As a carrier of last resort and a non-profit cooperative, we are committed to continue service as long as possible, especially considering that there is not an alternate provider in our exchange to provide 911.

Due to the FCC Order, Allband also seeks to work with your agency, the RUS, to address the severe reduction in Allband's USF support. Allband requests a modification of its RUS loan, with respect to both interest rate and amortization period, and a temporary suspension of Allband's loan payments until the USAC can confirm with the FCC justification for the reinstitution of Allband's waiver. Specifically, Allband requests that your agency: (1) Suspend or freeze Allband's payments on the principal and interest on Allband's loan until Allband can complete negotiations with USAC to determine a feasible amount of USF support that can be restored to allow Allband to make payments on its RUS loan; and (2) that RUS restructure Allband's loan with a lower interest rate and a longer amortization period, to help Allband absorb any reduction in its USF support. This action is needed to bridge the time gap during which Allband's FCC Waiver is suspended.

Please evaluate the above request in light of the reality that Allband is a great success story! Allband has established a modern communications network in a previously unserved rural area in Michigan in accordance with the purposes and objectives of Congress in establishing the USF and RUS programs. In addition, Allband has invested a tremendous amount of time and financial resources in efforts to protect its USF support and RUS loan. Allband has also submitted 119 consecutive payments to the RUS since 2005, totaling $5,136,200.25.

Please advise me if you have any questions regarding the FCC Order and Allband's prompt responsive action to address the Order, and concerning Allband's commitment to work with your agency to find solutions to these pressing matters being confronted by Allband at this time.

If you have any questions or would like to discuss these matters further, please call me directly at (989) 369-9870 or by e-mail at ron.siegel@allband.org.

Very truly yours,

Ron K. Siegel
General Manager

Attachment #7